

## Message Text

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ACTION NEA-11

INFO OCT-01 AF-10 ARA-10 EA-10 ISO-00 SOE-02 AID-05  
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 DOE-15 H-01  
INR-10 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05  
ICA-11 OES-07 SP-02 SS-15 STR-07 TRSE-00 ACDA-12  
/157 W

-----040162 131241Z /64/14

R 130530Z JUN 78  
FM AMCONSUL DHAHRAN  
TO SECSTATE WASHDC 6305  
INFO AMEMBASSY JIDDA  
USLO RIYADH  
AMEMBASSY ABU DHABI  
AMEMBASSY TEHRAN  
AMEMBASSY JAKARTA  
AMEMBASSY DAMASCUS  
USINT BAGHDAD  
AMEMBASSY LAGOS  
AMEMBASSY ALGIERS  
AMEMBASSY CARACAS  
AMEMBASSY KUWAIT  
AMEMBASSY MANAMA  
AMEMBASSY TRIPOLI

C O N F I D E N T I A L DHAHRAN 0751

C O R R E C T E D C O P Y (TEXT)

E.O. 11652: GDS  
TAGS: ENRG, OPEC, SA  
SUBJECT: SAUDI OFFICIAL VIEWS UPCOMING OPEC MEETING

1. DR KHADER HERZALLAH, ASSISTANT DEPUTY MINISTER OF  
PETROLEUM AND MINERALS WHO WILL ACCOMPANY MINISTER YAMANI TO  
OPEC MEETING IN GENEVA, TOLD CONSUL GENERAL JUNE 12 THAT PRESSURE  
IS BUILDING ON SAUDIS TO AGREE TO NEW PRICING FORMULA FOR  
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OIL. "SOME OPEC COUNTRIES ARE REALLY HURTING," SAID HERZALLAH,  
"BECAUSE OF DROP IN U.S. DOLLAR EXCHANGE VALUE," AND THERE IS  
BUILDUP OF OPINION AMONG OPEC COUNTRIES THAT CURRENT OIL  
PRICING SYSTEM MUST CHANGE TO COMPENSATE FOR DOLLAR DECLINE.

2. IN HIS OPINION, HERZALLAH STATED, OPEC MINISTERS COULD  
WILL AGREE IN PRINCIPLE AT GENEVA MEETING TO ESTABLISH NEW PRICING

FORMULA FOR OIL BASED ON SDR'S OR SOME OTHER BASKET OF CURRENCIES.  
HOWEVER, OPEC MINISTERS WOULD NOT CHANGE DOLLAR FOR ANOTHER CURRENCY  
FOR TRANSACTION PURPOSES, ACCORDING TO HERZALLAH.

3. A POSSIBLE SCENARIO FOR SUCH A NEW PRICING POLICY, SAID  
HERZALLAH, WOULD BE FOR THE MINISTERS TO AGREE AT THE GENEVA  
MEETING TO CHANGE FROM DOLLAR FRO PRICING PURPOSES AND THEN  
ASK OPEC SECRETARIAT DRAW UP OPTIONAL CURRENCY BASKET FORMULATIONS  
AND SPECIFIC RECOMMENDATIONS. FOLLOWING THIS, A SPECIAL OPEC  
MEETING COULD BE HELD IN SEPTEMBER WHEN THE MINISTERS COULD AGREE  
ON A PRECISE PRICING FORMULA.

4. "IF THE DOLLAR STRENGTHENS BETWEEN THE JUNE OPEC MEETING AND THE  
POSSIBLE SEPTEMBER MEETING," HERZALLAH STATED, "THEN THERE MIGHT  
BE NO NEED FOR NEW PRICING FORMULA."

5. HERZALLAH CONTENDED THAT DROP IN DOLLAR EXCHANGE VALUE HAS  
CAUSED CONCERN AMONG SAUDIS WHO HAVE NOTICED PRICE APPRECIATION FOR  
IMPORTED GOODS FROM NON-U.S. SOURCES. RISE IN VALUE OF SAUDI  
RIYAL OF ONLY 2 PERCENT AGAINST U.S. DOLLAR HAS NOT OFFSET  
RISE IN PRICES OF OTHER IMPORTED GOODS, AND THEREFORE SAUDIS  
ARE UNHAPPY WITH DOLLAR DECLINE. SAUDIS HAD EXPECTED DOLLAR  
REBOUND MUCH SOONER, BUT DOLLAR HAS STILL SHOWN WEAKNESS.

6. COMMENT: HERZALLAH, WHO GENERALLY ACCOMPANIES MINISTER YAMANI  
TO OPEC CONFERENCES AS HIS CHIEF FINANCIAL ADVISER, IS EXCELLENT  
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SOURCE FOR SAUDI THINKING ON OIL PRICES AND OTHER OPEC FINANCIAL  
MATTERS. IF, AS HERZALLAH SEEMED TO INDICATE, SAG HAS NOW  
CONLCUDED THAT NEW OIL PRICING FORMULA MUST BE ESTABLISHED BY OPEC  
IF DOLLAR DOES NOT REBOUND, STRONG POSSIBLITY EXISTS THAT YAMANI  
WILL AGREE INPRINCIPLE AT GENEVA MEETING TO HAVE OPEC SECRETARIAT  
PROVIDE MINISTERS WITH ALTERNATIVE PRICING FORMULAS.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM PRODUCTS, MEETINGS, MEETING DELEGATIONS, FOREIGN POLICY POSITION, PRICE CONTROLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Original Handling Restrictions:** n/a  
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**Subject:** SAUDI OFFICIAL VIEWS UPCOMING OPEC MEETING  
**TAGS:** ENRG, SA, OPEC, (HERZALLAH, KHADER)  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/2069498a-c288-dd11-92da-001cc4696bcc  
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